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Why Universal Preschool Is Really a Labor Market Program

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Where is the biggest economic bang for the buck in investing in education? Arguably the best educational investment would be in high-quality, half-day preschool that would be universally accessible to all four-year-olds. The available research evidence suggests that such an investment would increase U.S. earnings far more than it would cost. Such a program would help children from middle-class families, but it would also provide far more dramatic assistance in increasing the eventual earnings of children from low-income families.

Unlike many educational investments, there is rigorous evidence on the long-term effects of high-quality preschool. The data come from studies of two programs: the Perry Preschool Program in Ypsilanti, Michigan, and the Chicago Child-Parent Center Program. These studies provide strong evidence that high-quality preschool can change a child's life course. For example, research on Perry found that former child participants in the program earn 60 percent more in monthly income than their Ypsilanti control-group peers who did not attend preschool. Similarly, CPC increases the number of youth completing high school by more than one-fifth.

Because preschool increases educational attainment, employment rates, and wage rates, it should be viewed as a labor market program. Preschool works on the supply side of the labor market. By resulting in future increases in both hard skills and soft skills of former preschool participants, it increases the quantity and quality of the U.S. labor supply. These boosts to labor supply will improve labor market outcomes.

Research also suggests what elements are essential in defining "high quality" for preschool. The lead teacher must be

paid adequately. Preschool group size must be kept to no more than 20 children to 2 teachers, and preferably 17 children or less, with 2 teachers. Staff training improves quality. And high-quality curricula that encourage more individual attention and development of children make a difference as well.

A high-quality, half-day preschool program for four-year-olds produces great benefits for the economy.

Furthermore, research suggests that the greatest benefit-cost ratio is for a half-day, school-year program for four-year-olds. Doubling the hours per day from three to six leads to increased benefits, but not double the benefits. Preschool at age three in addition to age four also increases benefits, but does not double benefits.

Studies I have conducted (Bartik 2006, 2008) suggest that a high-quality, half-day preschool program for four-year-olds produces great benefits for the economy. Per dollar spent, such a program will increase the present value of earnings by \$4—a four-to-one return on investment. Most of these effects are from the increased earnings of the former child participants in the programs. However, there also are some benefits from increasing the labor supply of parents through providing free child care at preschool, and from creating jobs for preschool teachers and administrators.

My simulations further suggest that a universal preschool program will particularly benefit the poor but will also benefit the middle class. The earnings benefits per capita from universal preschool are estimated to be 10 times as great for the lowest-income quintile as

for the middle-income quintile. But the middle-income quintile still gains almost \$3 in increased earnings for every dollar of tax cost paid for universal preschool.

A high-quality, half-day universal preschool program for four-year-olds would cost about \$20 billion annually if implemented in all states. To encourage flexibility and creativity, it might be wise to allow considerable state and local discretion in the design of preschool programs. However, the federal government could play a useful role in encouraging expansion of high-quality preschool programs, while promoting learning about the most effective approaches. Federal matching funds could encourage state and local governments to expand preschool programs. Federal funding could particularly focus on staff training, high-quality curricula, infrastructure and materials, and regular data collection of results, all of which would contribute to high quality in preschool. The federal government also could pay for ongoing studies that would likely further increase our knowledge of what works in preschool. However, the federal government should avoid micromanaging preschool design. Much of the recent innovation in preschool programs has come from new state programs. Continued state and local experimentation and innovation should be encouraged.

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